



Middle East and North Africa

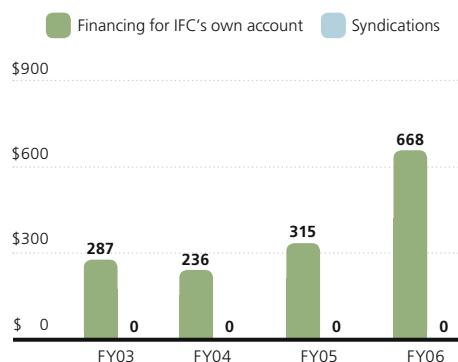
AFGHANISTAN ALGERIA BAHRAIN ARAB REPUBLIC OF EGYPT ISLAMIC REPUBLIC OF IRAN IRAQ JORDAN
 KUWAIT LEBANON LIBYA MOROCCO OMAN PAKISTAN SAUDI ARABIA SYRIAN ARAB REPUBLIC TUNISIA
 UNITED ARAB EMIRATES WEST BANK AND GAZA REPUBLIC OF YEMEN

IFC'S STRATEGY FOR THE MIDDLE EAST AND NORTH AFRICA

- Support economic reform through investment and advice on global best practices
- Focus investments in the financial, infrastructure, and small and medium enterprise sectors
- Provide targeted, high-impact technical assistance for the financial sector, small and medium enterprises, the business environment, public-private partnerships, and privatizations
- Promote intra- and interregional investments to accelerate economic integration and business expansion

COMMITMENTS

(U.S. \$ millions)



OVERVIEW OF IFC ACTIVITY

	FY06	FY05
Total number of investment projects	29	21
Total expenditures for technical assistance and advisory service projects (U.S.\$ millions)	\$20	\$5

IFC STAFF AND CONSULTANTS

	Headquarters	Field Offices
As of June 30, 2006	4	189

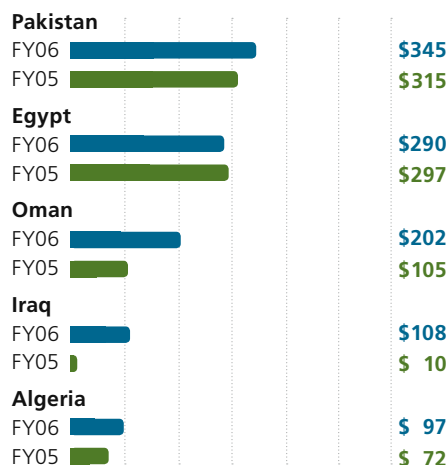
PROJECT FINANCING AND PORTFOLIO

(U.S. \$ millions)

	FY06*	FY05**
Financing committed for IFC's account	\$ 668	\$ 315
Loans***	504	257
Equity***	100	20
Guarantees and risk management	64	38
Loan syndications signed	0	0
TOTAL COMMITMENTS SIGNED	668	315
Committed portfolio for IFC's account	1,556	1,210
Committed portfolio held for others (loan and guarantee participations)	314	664
TOTAL COMMITTED PORTFOLIO	1,871	1,874

IFC'S LARGEST COUNTRY EXPOSURES

Committed portfolio for IFC's own account as of June 30, 2006. (U.S. \$ millions)



* Includes regional shares of Soco Facility and Veolia AMI investments, which are officially classified as global projects. Committed portfolio for IFC's account includes regional share of BAPTF, which is officially classified as a global project.

** Includes regional shares of BAPTF and Melrose Facility investments, which are officially classified as global projects.

*** Loans include loan-type, quasi-equity products. Equity includes equity-type, quasi-equity products.



MICHAEL HIGGINS

PROMOTING GLOBAL EXPANSION OF EMERGING MARKET COMPANIES

GDP growth for the Middle East and North Africa, overall, was 5 percent in 2005, with stronger expansion in oil-exporting countries and comparatively weak growth in Iraq, Lebanon, Syria, the West Bank and Gaza, and Yemen. High unemployment rates in much of the region have spurred some countries, including Egypt and Pakistan, to embark on reform agendas that seek to attract private sector investment and increase jobs. In line with these reforms, IFC's investment and technical assistance activities are increasing across the region.

In FY06, our commitments in the region jumped more than 100 percent, for a total of \$668 million in 29 projects, compared with \$315 million for 21 projects during the previous year. To expand our portfolio, we have increased our business development efforts, hiring senior officers in Algeria, Egypt, Pakistan, and the United Arab Emirates. Our FY06 investments were spread across the region, in economic sectors

including infrastructure, manufacturing, oil and gas, and financial institutions, with the last category representing over 40 percent of IFC's regional commitments. Our technical assistance for client companies, government entities, and business associations, provided primarily by our private enterprise partnership facility, also increased substantially this year.

SUPPORT FOR FINANCIAL INSTITUTIONS AND FINANCIAL MARKETS

To support the privatization of Habib Bank Limited in Pakistan, IFC provided a \$50 million long-term loan to diversify the bank's funding and enable it to offer local businesses loans with longer maturities. This project is one of many involving a partnership between IFC and the Aga Khan Fund for Economic Development. IFC's technical assistance is helping strengthen the bank's operational capacity as it continues to restructure, modernize, and tailor its

lending to consumers and small and medium businesses. We are also providing advice to help the bank undertake socially and environmentally responsible financing.

Following an initial \$1 million equity investment in First Microfinance Bank of Afghanistan, in 2004, we provided the microfinance institution with a \$3.5 million standby credit facility this year. In addition to the credit line, we are working with other donors on a technical assistance package to help FMBA manage security, gender outreach, and staff training, as well as address infrastructure constraints.

In Morocco, we provided the Foundation for Local Development and Partnership with a comprehensive developmental financing and assistance package to complement its growth potential and expansion plans in the coming years. The client is a microfinance institution that provides credit facilities to microentrepreneurs, particularly

women, in urban and semiurban areas of the country. IFC extended a partial credit guarantee aimed at helping FONDEP access local currency financing from local commercial banks, as well as technical assistance aimed at developing its internal controls and risk management system. Our microfinance investments in the region also included a \$1 million equity investment in Pakistan's Tameer Microfinance Bank for up to 10 percent of the bank's initial capital. The bank plans to target low-income, self-employed individuals.

To support alternative forms of financing, we made investments in or offered technical assistance to leasing companies in Afghanistan, Egypt, Jordan, Oman, Pakistan, and Saudi Arabia. In housing finance, we provided precedent-setting support for mortgage-backed securities issued by Kingdom Installment Company in Saudi Arabia.

Paktel will use \$35 million in IFC financing to make cellular service available throughout Pakistan by 2007.

INVESTMENTS IN OTHER KEY SECTORS

Oil and gas dominate many of the region's economies, and our FY06 commitments included support for underserved aspects of these sectors. Red Med, a logistics company offering base camp support for oil and gas companies in Algeria, received a \$10 million IFC loan with an income participation feature. Also in Algeria, we invested \$24 million in Fertial, the country's first privatized fertilizer company, and we will help with technical assistance for farmers who use the company's fertilizer.

Infrastructure is a critical investment area as countries in the region increase

trade links with the global economy, and IFC continues to support private investments in transport and shipping. In Jordan, IFC committed a \$15 million loan to CTI Group, a shipping company specializing in the regional transport of cement. The company needs substantial investment to replace its aging fleet of specialized cement carriers with newer vessels, but it was unable to obtain long-term funding from local banks and had limited access to traditional ship financing. IFC's long-term funding is critical to CTI's fleet renewal and expansion plans and will facilitate the company's access to international shipping banks. IFC is also working

IFC FINANCES CELLULAR NETWORK IN AFGHANISTAN

To support the construction and nationwide operation of a GSM digital cellular network—one of the largest foreign investments in Afghanistan this year—IFC has signed an agreement for a \$40 million loan and an equity investment of up to \$5 million with Areeba Afghanistan. The country has one of the lowest telephone density rates in the world, with less than 0.5 fixed lines and four mobile lines per 100 people as of 2005. This is significantly less than the penetration rates found in other

countries nearby or with comparable economic environments. In addition to impeding economic activity, the lack of services hampers communication between the central government and regional authorities.

The project will increase the availability of reliable and affordable telecommunications services for consumers, businesses, and public agencies, and it will extend much-needed geographic coverage to rural and underserved areas in Afghanistan. By investing in Areeba, IFC is also supporting the Afghan government's agenda for liberalizing telecommunications and

spurring private sector involvement and competition.

Areeba Afghanistan is owned by Investcom, a mobile phone operator with a track record in frontier markets including Benin, Ghana, Guinea-Bissau, Liberia, Sudan, Syria, and Yemen. IFC's financing promotes capital flows between developing countries by helping Investcom, which was recently acquired by MTN, invest in underdeveloped markets.

Areeba won Afghanistan's third long-term operating license in September 2005 through a transparent and competitive award process. It expects to have 700,000 subscribers by 2009.

EGYPTIAN BANK PROFITS FROM MICROFINANCE LENDING

A pilot microfinance program IFC has supported in cooperation with Egypt's second-largest bank, Banque Misr, has been so successful that the bank is expanding the program. Because only about 12 percent of the smallest

businesses in the country have access to bank financing, this is a market segment with tremendous potential.

IFC first surveyed the microenterprise market, designed products, and put together a business plan. We then helped the bank draft a credit policy, procedures, and operating manuals for the microfinance operation, implement a loan-tracking

system, train loan officers, and organize workshops in target communities. Within a year of launching the program at five branches, the bank had grossed \$6 million from 13,000 microloans, with a repayment rate of nearly 100 percent. The success of this program has attracted interest in microfinance from other banks in Egypt and the Middle East.

with CTI on improving its corporate governance practices.

In Pakistan, we provided an \$8 million loan for container terminal berths at Karachi's port. The loan will be used by the Pakistan International Container Terminal to buy container-handling equipment, increase capacity, and improve service.

In the manufacturing sector, IFC provided \$133 million in loans for cement plants in Iraq and Yemen. We provided \$98 million, our largest investment ever in Iraq, for construction of a greenfield plant. The plant will be built and run by Orascom Construction Industries, an Egyptian firm.

Afghanistan has long been known for the quality of its fresh and dried fruits. Despite decades of political unrest that undermined investment, the country's raisin and pomegranate crops still have significant export potential. IFC is helping producers and traders improve outdated production and processing technologies, build their supply chains, and expand their knowledge of export markets. This effort should enhance product quality and export earnings.



An \$8 million IFC loan will help Pakistan International Container Terminal buy container-handling equipment and improve service at Karachi's port.

COURTESY OF PAKISTAN INTERNATIONAL CONTAINER TERMINAL

MEETING A NEED FOR LONG-TERM CAPITAL AND TECHNICAL ASSISTANCE IN ALGERIA

IFC made a \$10 million investment this year in an Algerian company, Red Med, to help the firm meet growing demand for local logistics services from foreign companies in the oil and gas sector. Algeria's hydrocarbon deposits are located in remote desert areas, where infrastructure is inadequate, making it difficult for foreign companies to operate. IFC's investment in Red Med, our first with a local Algerian firm, will support a four-year, \$32 million expansion of the company's core activities, including the acquisition of additional cranes, trucks, aircraft, and medical testing equipment.

Because Algeria's banking sector is dominated by state-owned banks with limited access to long-term funding resources, IFC's long-term financing is critical to the company's expansion plans. IFC is also helping Red Med with corporate governance practices, including revamping its holding structure. These steps will help Red Med access international capital markets in the future.

FOSTERING PRIVATE ENTERPRISE THROUGH TECHNICAL ASSISTANCE AND ADVISORY SERVICES

IFC's donor-funded facility, the Private Enterprise Partnership for the Middle East and North Africa, provides technical assistance to support the financial sector, small and medium enterprises, business environment reforms, and public-private partnerships for infrastructure projects. We are stepping up our corporate governance advisory work throughout the region, particularly in Egypt and Pakistan. In Egypt, we are also increasing the management capacity of small and medium enterprises through the Business Edge management training



IFC is advising Jordan's government on the privatization of Queen Alia International Airport.

program run by PEP-MENA. Program partners receive training and certification in marketing, human resources, finance, accounting, and methods for improving productivity, and PEP-MENA monitors their performance to maintain quality

standards. Since October 2004, we have certified 11 training partners, who in turn have trained more than 2,500 managers and owners of small enterprises. We are expanding the program to Jordan, Oman, the United Arab Emirates, and Yemen, as well as partnering with large corporations to provide management training to small enterprises in their supply chains.

IFC is the lead advisor to the Jordanian government's Executive Privatization Committee, which is mobilizing private sector participation to expand and rehabilitate Queen Alia International Airport. We are also providing advisory services to support the airport's privatization. Upgrading the airport will increase the competitiveness of Jordan's tourism industry.

In Afghanistan, IFC and Kabul University are developing a business skills training program for local entrepreneurs who need more expertise in marketing, accounting, and financial planning. The curriculum is available in two local languages, and 120 students and entrepreneurs have enrolled in the first pilot. We are also helping the university develop a strategy to offer the training on an ongoing basis.

Our microfinance investments included an equity investment in Pakistan's Tameer Microfinance Bank to support its lending to low-income microentrepreneurs.

STRENGTHENING CORPORATE GOVERNANCE

During FY06, IFC provided corporate governance training to more than 1,000 managers and directors from 200 companies in the Middle East and North Africa. We provided input on and helped establish four codes of corporate governance—two in Egypt and one each in Lebanon and the United Arab Emirates. We also raised awareness of good corporate governance among the press, providing training for journalists in Egypt and Pakistan.

IFC's PEP-MENA facility continues to support the Egyptian Institute of Directors, the first organization of its type in the region. To improve corporate governance in Egyptian corporations, PEP-MENA is working with the World Bank to build the institute's capacity to deliver programs, including the country's first certification program for board development.